CALIFORNIA DEPARTMENT OF FINANCE

ECONOMIC INDICATORS

JANUARY - FEBRUARY 2001

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

California ended 2000 on a very strong note. Despite signs of a softening national economy, a dot.com stock slide, and a troubled energy market, California outperformed the nation throughout the year.

EMPLOYMENT

Nonfarm employment jumped by 53,100 in December—the largest one-month gain since May of 2000. On average, nonfarm employment in California grew by nearly 37,000 jobs each month in 2000. The average monthly increase in 1999 was 30,900.

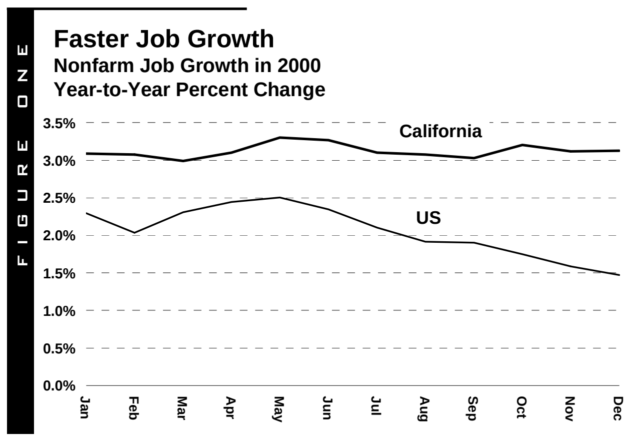


FIGURE ONE

Faster Job Growth

Nonfarm Job Growth in 2000

Year-to-Year Percent Change

California alone accounted for 51 percent of the entire nation's 105,000 new payroll jobs in December, and 87 percent of new private sector jobs nationwide. Over half of the nation's December employment growth was in government, which only accounted for one-fifth of California's growth.

The service sector was the state's growth leader in December, adding 27,000 jobs. This growth included 10,200 in business services (which includes computer programming and personnel supply services) and 6,800 in motion pictures. Personal services added 4,200 jobs, reflecting early tax season hiring by tax preparation firms.

Government employment, the second largest growth sector after services, expanded by 10,600. Most of this growth was in state and local education. Federal government employment declined by 1,000 from continuing reductions in Department of Defense civilian employment.

Manufacturing employment fell by 2,200 in December. Nearly all of these losses—1,800 jobs—were in food processing, due principally to the closure of several canning plants following the bankruptcy of a major co-operative earlier in the year.

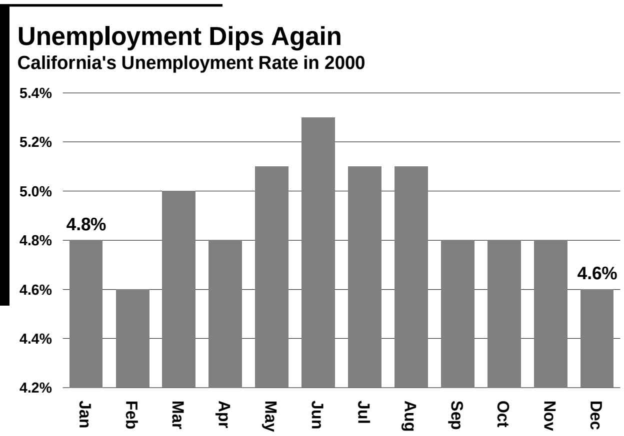
On a December-to-December basis, California ended 2000 on a stronger note than it did 1999. Industry employment grew by 3.1 percent, or 443,100 jobs, in December compared to 2.7 percent in December 1999. Moreover, 2000 employment figures are expected to be revised upward in February 2001 when the annual benchmark revisions are released. All major industry sectors,

INSIDE

except for the small mining sector, expanded over the year. Services added the most jobs, 198,400. Business services accounted for nearly half of this growth, expanding at a 7.6 percent rate from the addition of 95,100 jobs. Government followed with the addition of 73,100 jobs for a 3.2 percent growth rate. Over 80 percent of this growth was at the local level—most of it due to expanding public school employment.

California's unemployment rate dropped two-tenths of a percent in December to 4.6 percent—tying February's 30-year low. Throughout 2000, California's annual average unemployment rate was 4.9 percent—beating the 1999 rate of 5.2 percent. The number of people unemployed in California dropped by nearly 28,000 in December to 799,900—the lowest number of unemployed since February 2000. Before that, the last time the unemployment count dipped below 800,000 was May 1990. The San Francisco Bay area continues to enjoy the lowest unemployment rates in the state. Of the ten counties with the lowest unemployment rates, seven are in this region, and in three of them the rate has fallen below 2.0 percent.

FIGURE TWO



BUILDING ACTIVITY

Building activity strengthened in November with month-to-month gains in both residential and nonresidential sectors.

Multi-family Building Jumps in November

Residential construction activity, measured by permitted units, advanced in November based on a surge in multi-family construction. Residential permitting grew over 6 percent from a 40+ percent jump in the volatile multi-family sector—primarily in 5-or-more-unit structures. Single-family construction essentially held steady at the October rate. On a year-over basis, residential construction permitting in November essentially tied the pace set a year ago.

Nonresidential Construction Recovers in November

Following a drop in October, nonresidential construction, measured by permit values, recovered in November—rising 11.7 percent from the month before. A sharp jump in hotel and motel construction, coupled with gains in store and service station/car repair construction, overcame drops in other sectors. Following three very strong months, office construction moderated significantly in November. Overall though, nonresidential construction in November was still down just over 1 percent from a year ago.

Year-to-date both residential and nonresidential construction rates are up over 1999. During the first 11 months of 2000, nonresidential construction, measured by permits issued, is up 5 percent over the same months of 1999. Multi-family construction lead the way with an almost 30 percent increase. According to permitted construction values, a veritable boom in office-building construction, coupled with a substantial

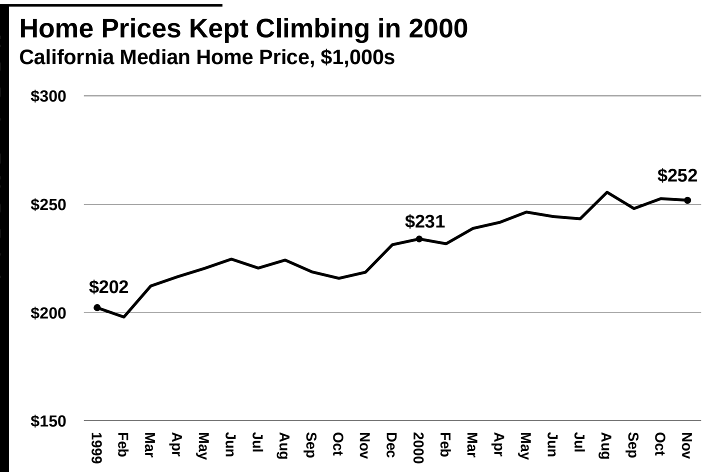
FIGURE THREE

Year-to-Date Permitting Growth
California Constuction Permits
First 11 Months, 1999 to 2000

	Pct. Change
Housing Units Authorized	**5.0%**
Single Family	3.5%
Multifamily	8.9%
2-4-Unit	29.5%
5-or-More-Unit	6.7%
Construction Valuation	**9.9%**
Residential	8.6%
Nonresidential	11.9%
Industrial Buildings	-7.6%
Office Buildings	71.2%
Stores & Other Mercantile	8.1%
Hotels & Motels	38.4%
Amusements & Recreation	-44.0%
Parking Garages	-17.7%
Service Stations	-15.1%
Other	-7.9%
Alterations & Additions	15.4%

Source: Construction Industry Research Board increase in hotel and motel construction, lifted nonresidential construction up nearly 12 percent over the 1999 levels. Office building construction during the first 11 months was over 70 percent greater than during the same period of 1999—with most of the growth centered in the San Francisco Bay area.

FIGURE FOUR



REAL ESTATE

Median Home Price Holds Steady

An optimistic economic outlook and low mortgage rates sustained strong demand among California homebuyers in November. Consequently, with a still limited supply of homes for sale, prices remain at historically high levels. Sales of existing single-family homes climbed modestly in November to a seasonally adjusted annual rate of 563,800 units—at 6.2 percent increase from the same month in 1999. The statewide median single-family home price was essentially static in November, leaving California's median home price 15.2 percent above the November 1999 level.

2001-2002 ECONOMIC OUTLOOK

The following is from the Governor's 2001-02 Budget. The forecasts were prepared in late November 2000 and are based on information available at that time.

The Twentieth Century ended on a high note for both the U.S. and California economies. Nationally, economic growth, as measured by real (inflation-adjusted) gross domestic product (GDP) exceeded 5 percent, the largest gain in 16 years. The strong performance was all the more remarkable for having occurred in the record-breaking ninth year of sustained economic growth.

California's economy significantly outpaced the strong national performance. Personal income rose more than 11 percent, also the largest gain in 16 years, and far above the nation's 6.5 percent increase. Nonfarm employment increased 3.6 percent; the largest gain since 1985 and nearly double the nation's 2 percent rise.

The Nation Gathering Clouds?

Despite the robust full year figures, the final weeks of 2000 brought unsettling news on several fronts, most notably from the consumer sector. November retail sales declined unexpectedly, following a flat October report; consumer confidence dropped sharply in November and early December on both the Conference Board and University of Michigan surveys; and several personal computer makers reported disappointing holiday season sales.

Accompanying these reports has been a steady rise in initial unemployment claims from the near-record low levels of last spring, a sharp drop in factory orders, and announcements of production cutbacks from major U.S. automakers who seem to be bearing the brunt of the sudden pullback in household spending. The strong upward surge in the stock market, which helped fuel household spending in 1999 and the early part of 2000, has clearly ended, and in particular, the technology-heavy NASDAQ market lost nearly half its value from early March through early December.

The sudden reversal in these key economic indicators has raised concerns—thus far largely confined to the mainstream media—that this record-long economic expansion may be nearing an end. In contrast, most economic observers have concluded that the recent statistics signal the long-awaited and even welcome moderation of growth that will allow the upswing to continue in 2001 and possibly beyond. In its December 10, 2000 release, only one (UCLA-Anderson) of the 50 forecasters surveyed by Blue Chip Economic Indicators believed a recession to be the most likely outcome for 2001.

It is often difficult to differentiate between a slowing of growth and the beginnings of an economic reversal. But the recent statistics need to be placed in some perspective. As noted, the automobile industry is the source of much of the apparent weakness in consumer spending. Excluding autos, sales rose during both October and November, albeit at a more moderate pace than in previous months.

Retailers commonly gauge sales results on a year-to-year basis, and in November, retail sales excluding autos were up more than 7 percent from the 1999 month, after taking into account the effects of 2000's early Thanksgiving weekend. (Without the holiday adjustment, sales were up almost 9 percent.) The key general merchandise, apparel, and home furnishings sector (GAF), where most holiday purchases are concentrated, also posted a solid 7 percent increase. Since there is virtually no inflation in GAF goods—apparel prices, for example, were down 1.3 percent over the year, while November apparel store sales were up 8.6 percent, implying a 10 percent increase in physical volume—these gains hardly portray a weak or faltering consumer.

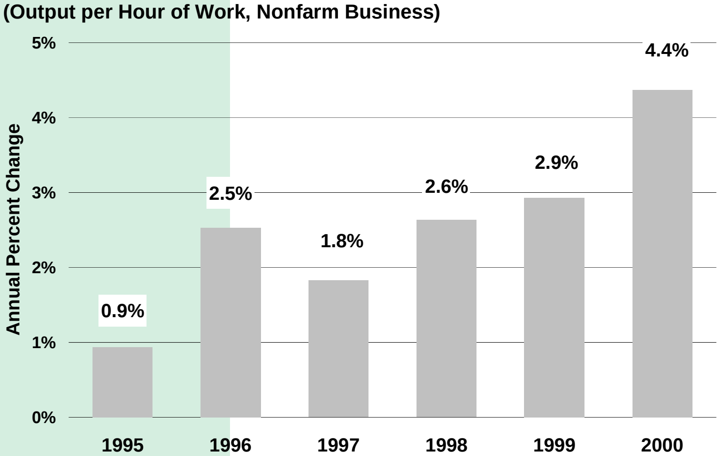
Moreover, the recent evidence of slower growth has also come to the attention of the Federal Reserve. In early December, Fed Chairman Alan Greenspan made it clear that the central bank is fully prepared to relax monetary policy in response to the shift in economic momentum. Of course, a slowdown to a more sustainable rate of growth—a so-called "soft landing"—has been the Fed's goal since it began raising interest rates in June 1999. Largely in anticipation of future Fed rate cuts, longer-term interest rates have fallen sharply in recent months. Fixed-rate home mortgages, for example, are now widely available at a 7 percent rate, down from more than 8-1/2 percent last spring.

The stock market's performance also needs to be seen in perspective. The broader measures such as the Dow Industrials and the Standard and Poor's 500 were down little more than 6 percent from the end of 1999 to mid-December 2000. The New York Stock Exchange Index was virtually flat during that period. As noted, the NASDAQ was off considerably more—nearly 30 percent from December 31, 1999, and over 40 percent from the March peak—but that market clearly experienced a very short-lived "bubble" that lasted no more than four and one-half months, from mid-October 1999 through early March 2000. Even after reversing the bubble, the NASDAQ at mid-December 2000 remained several hundred points above the mid-October 1999 takeoff point.

Certainly, there is a "wealth effect" in which high and rising asset values embolden households to spend more and save less. To a considerable degree, stock market appreciation replaced household savings in 1999 and early 2000. Thus, to the extent that households must now reevaluate the need to save, some slowing of consumer spending is to be expected.

FIGURE FIVE

Productivity Growth, 1995-2000
(Output per Hour of Work, Nonfarm Business)



Nonetheless, the fundamental forces of rising productivity that helped power the U.S. economy over the past four years of extraordinary growth have not suddenly vanished (Figure 5). Rising energy prices, which is one factor holding back growth at present, should slowly reverse in the year ahead. Petroleum prices, for example, have come off their early fall peaks, and the sharp run-up in natural gas prices is already encouraging increased production. Falling interest rates will help boost housing and other credit-sensitive segments of the economy. A somewhat weaker U.S. dollar should help boost exports, while the slowdown in consumer demand will serve to contain the growth of imports, both of which should help cushion the effects of moderating domestic activity.

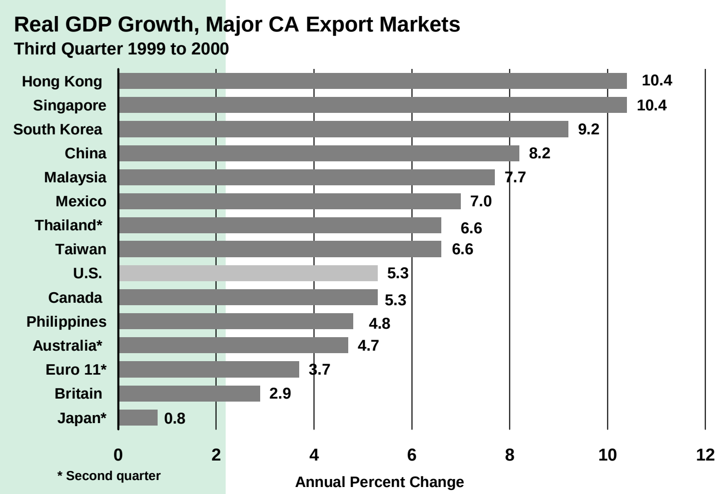
Thus, although a mild recession poses a risk, the most likely outcome remains the "soft landing," with growth moderating to a more sustainable pace. In 2001, this Budget forecast expects real GDP growth of 3 percent, down from over 5 percent last year and 4 percent in each of the three previous years. A return to 4 percent growth is quite possible in 2002. This implies a modest rise in the unemployment rate from 4 percent in late 2000 to a little over 4 1/2 percent by late next year, thus relieving pressures on the labor markets. Inflation, which averaged nearly 3 1/2 percent last year, should moderate to about 2 1/2 percent in 2001. The national forecast is summarized in Figure 9 at the end of this section.

FIGURE SIX

California—Cooling Off? . . .

Available economic and financial statistics for California have yet to reflect the slowing evident in the national figures. In particular, job growth in California actually strengthened over the late summer and fall of 2000, while nationwide data reveal a marked slowing in new hiring and a rise in jobless indicators. Likewise, sales tax receipts remain strong, suggesting that the pullback in household spending nationwide has not yet spread to California.

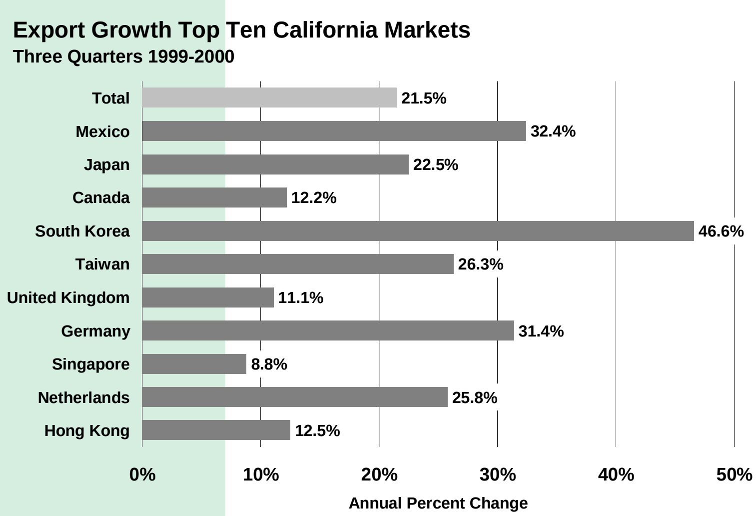
FIGURE SEVEN



Indeed, when compared to the nationwide figures, California's labor market is exceptionally strong. The working age population is growing at twice the national pace, the labor force and civilian employment three times faster, and nonfarm employment at more than double the national rate (see Figure 6.)

The state continues to benefit from strong economic growth in much of Asia and Mexico and solid gains in Europe as well. Through the first nine months of 2000, California-made exports increased more than 21 percent over comparable 1999 shipments. In essence, it appears that still-rising foreign demand is serving to cushion the effects of the U.S. slowdown. (See Figures 7 and 8.)

FIGURE EIGHT



Even so, much attention has been focused on the shakeout among the so-called "dot.coms," firms doing business on the Internet. However, many of these firms have received attention far beyond their economic importance. While California and the San Francisco Bay Area are justifiably proud of the entrepreneurial spirit reflected in these young companies, California's high-technology economy is in fact dominated by a relative handful of large, well-established firms. The employment effects of the dot-com shakeout are relatively small, although there are clearly ripple effects in segments of the economy serving these companies.

Nonetheless, in spite of the cushioning effect of continued export demand, California should expect a slowing of job growth in the year ahead. On an annual average basis, job growth is forecast at 2.8 percent, although gains on a year-end 2000-2001 comparison may be closer to 2 percent.

If California's labor market has been exceptionally strong, income gains have been nothing short of spectacular, fueled by massive increases in wages and salaries—the largest single source of income. With employment growing by 3.6 percent, wages last year shot up by 14.5 percent, implying average per worker wage gains of 11 percent. Since most surveys indicate that employee raises are averaging in the neighborhood of 4 percent, much of the extra income has apparently come from nontraditional sources, mainly stock options and bonuses.

As the accompanying section on stock options indicates, option incomes are highly concentrated among a relatively few large firms, whose share prices have generally fared better than many of the newer, less established companies. Moreover, because options are exercised three to ten years after they are granted, stock prices would have to collapse by 50 to 90 percent before most options fall "out of the money."

At the same time, the average striking price (the price at which the option was granted) of options that will be exercised in 2001 will be higher and—assuming recent market conditions do not improve markedly—most stock prices will be lower than during much of 2000. Thus, it seems reasonable to expect some reduction in option incomes in the year ahead. For the most part, the slowing of wage growth from 14.5 percent in 2000 to 5.5 percent in 2001 rests on the assumption that the dollar value of stock options will decline by 10 percent this year (to about $75 billion), following 2000's extraordinary 68 percent leap. Overall, personal income growth is expected to slow from 11.7 percent in 2000 to 5.7 percent in 2001.

FIGURE NINE

Selected Economic Data for 2000, 2001, and 2002

United States	2000	2001	2002
Real gross domestic product, (1996 dollar) (percent change)	5.2	3.0	4.3
Personal consumption expenditures	5.3	3.5	4.6
Gross private domestic investment	10.9	3.9	7.1
Government purchases of goods and services	2.7	2.8	2.8
GDP Deflator (1996=100) (percent change)	2.2	2.5	2.1
GDP, (Current dollar) (percent change)	7.5	5.5	6.5
Federal Funds Rate (percent)	6.24	6.31	5.81
Personal income (percent change)	6.5	5.5	5.6
Corporate profits before taxes (percent change)	14.2	0.1	13.3
Nonfarm Wage and salary employment (millions)	131.4	132.0	133.5
(percent change)	2.1	0.4	1.2
Unemployment rate (percent)	4.1	4.5	4.7
Housing starts (millions)	1.61	1.60	1.71
(Percent change)	-3.7	-0.7	7.0
New car sales (millions)	9.0	8.4	8.5
(Percent change)	3.3	-7.0	1.9
Consumer price index (1982-84=100)	172.2	176.4	180.0
(Percent change)	3.4	2.4	2.1
California			
Civilian labor force (thousands)	16,967	17,273	17,601
(Percent change)	2.3	1.8	1.9
Civilian employment (thousands)	16,127	16,441	16,776
(Percent change)	2.6	1.9	2.0
Unemployment (thousands)	840	831	825
(Percent change)	-2.8	-1.0	-0.7
Unemployment rate (percent)	4.9	4.8	4.7
Nonfarm wage and salary employment (thousands)	14,529	14,929	15,333
(Percent change)	3.6	2.8	2.7
Personal income (billions)	$1,107.8	$1,171.3	$1,252.5
(Percent change)	11.7	5.7	6.9
Housing units authorized (thousands)	147	155	167
(Percent change)	4.7	5.7	7.8
Corporate profits before taxes (billions)	$91.9	$99.9	$100.4
(Percent change)	6.9	8.6	0.5
New auto registrations (thousands)	1,749	1,736	1,759
(Percent change)	14.2	-0.7	1.3
Total taxable sales (billions)	$439.4	$461.0	$490.4
(Percent change)	11.3	4.9	6.4
Consumer price index (1982-84=100)	174.7	180.1	184.6
(Percent change)	3.7	3.1	2.5

Note: Percentage changes calculated from unrounded data.

Apart from the possibility of a national downturn, a significant risk to the California outlook comes from the energy sector. The current electric power situation results from a complex set of circumstances arising from a steep rise in demand throughout the Western United States, sharply higher natural gas prices exacerbated in California by the break in a key pipeline last summer, and a dysfunctional wholesale electricity market in which prices have soared to levels several times the actual cost of the least efficient, most expensive production in the region.

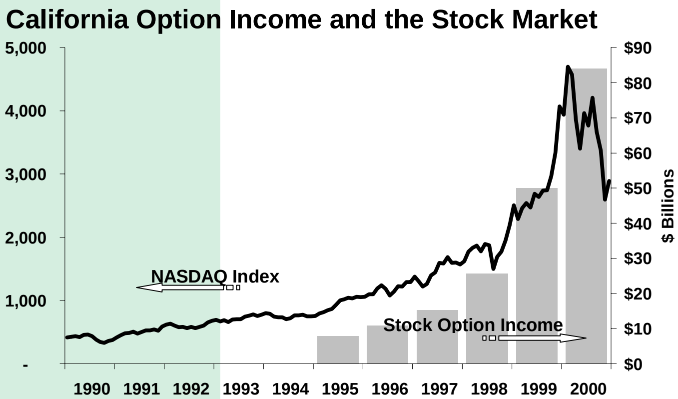
The fundamental solution lies in increased generating capacity and more secure fuel supplies, both of which are likely to occur over the next two to three years, as new capacity—now receiving regulatory approval on an accelerated timetable—comes on-line. In the meantime, measures must be taken—at both the State and federal levels—to correct major defects in the region's wholesale electricity markets that will ensure reliable supplies at prices that reflect the true cost of production.

The California forecast is summarized in Figure 9.

STOCK OPTIONS

A significant portion of recent extraordinary growth in California personal income has been derived from the exercise of stock options. In 2000, stock options may have accounted for as much as 13 percent of California wages and salaries, up from less than 2 percent in 1995. Option income is in addition to capital gains on the sale of stock and other asset holdings, which although taxable, are by definition not included in personal income.

FIGURE TEN



These two income sources—options and capital gains—together account for more than one-fifth of General Fund revenues in the current fiscal year. Because stock options are generally paid to employees with the highest marginal income tax rates, they have important implications for the State's General Fund revenues. The stock market has a very direct and dramatic impact on stock option income, and an increased reliance on this form of income heightens the sensitivity of the General Fund to the stock market.

Stock options are agreements to sell a certain number of shares of a given stock at a stated price—the exercise or striking price—during a specific period in the future. Income is generated when an option is exercised (i.e., when the holder buys the security, the difference between the market price and the exercise price is considered income, whether or not the option holder chooses to sell or hold the stock). Options are "in the money" whenever the market price of the security exceeds the exercise price. An option is "out of the money" if the stock's price falls below the exercise price.

Stock options are attractive for several reasons. They give the recipient an ability to share in the fortunes of a successful company. Since options normally cannot be exercised immediately, they enhance employee loyalty. Options can also improve a company's profitability in the short run by substituting for cash wage payments. (Companies also receive a tax benefit when options are exercised, because the value of the option is considered a deductible employee compensation expense. However, because options can also dilute share values, this benefit is usually credited directly to shareholders' equity, without being run through published profit and loss statements.)

Stock options usually have a stated life span. Typically, stock options issued in lieu of wages cannot be exercised until three years after their issuance and expire after ten years. Normally, a stock option's exercise price is set at the stock's market price when the option is granted. Thus, throughout its life, an option's value varies with the market price of the stock. In some cases when the market price has fallen below the exercise price, companies have reset the exercise price to the new market price.

Potential stock option income is directly related to movements in stock prices over time. Companies that use stock options typically issue them on a regular basis and only a fraction are exercised in any year. Thus at any one point in time, there exists a pool of exercisable options issued during various years at different exercise prices. As time goes by, the average exercise price of a pool of options will move with the stock's market price. Since there is a 3 to 10 year lag between current and exercise prices, total potential income is determined by the movement of stock prices over the past 10 years.

While stock options are used in a wide variety of companies, they are particularly popular in the high technology, durable-goods manufacturing, and wholesale and retail trade industries. Nationally, about one in five executives in these industries was a recipient of stock options in 1999. Their use in the high technology sector is particularly important to California. Options are attractive to many cash-starved high technology start-up companies. Stiff competition for top employees coupled with rapidly appreciating technology stock prices makes stock options well suited to this industry's business environment.

The unprecedented appreciation of high technology stocks over the past decade is clearly responsible for the growth of stock option income. As an indication, the technology-dominated NASDAQ index has risen over 670 percent over the past ten years and 84 percent over the past three. In spite of the NASDAQ's sharp retraction since the first quarter of 2000, the average technology stock would need to lose nearly half of its value in order to put the newest exercisable options out of the money and would have to fall nearly 90 percent to nullify the oldest options. Thus, barring a catastrophic collapse, stock options will continue to generate significant income for some time to come.

Based on financial reports submitted to the U. S. Securities and Exchange Commission (SEC), it is estimated that over $25 billion of stock option income was generated in California in 1998, followed by $50 billion in 1999, and $84 billion in 2000. Over this three-year span, option income accounted for between one-quarter and one-half of annual wage growth.

Moreover, option income is highly concentrated. SEC reports suggest that just seven high technology corporations generated nearly half of this income. The largest 100 California corporations accounted for over 80 percent of the total. While this significant concentration is associated with a degree of risk, it also underscores the fact that option income comes mainly from larger, well-established firms, rather than the newer, smaller companies that have been the source of much recent attention.

SELECT INDICATORS

EMPLOYMENT

	2000 Dec	2000 Nov	2000 Oct	2000 Sep	1999 Dec	Yr-Over-Yr % Change
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	16,456	16,366	16,336	16,264	15,898	3.5
Unemployment (000)	800	828	822	824	828	-3.4
Unemployment rate	4.6	4.8	4.8	4.8	5.0	--
Nonagricultural wage and salary employment (000)	14,614.4	14,561.3	14,535.0	14,490.0	14,171.3	3.1
Mining	22.9	22.9	22.9	23.1	23.1	-0.9
Construction	762.6	752.4	751.4	749.1	705.5	8.1
Manufacturing	1,924.8	1,927.0	1,923.4	1,920.0	1,924.6	0.0
Durable	1,207.8	1,208.2	1,206.8	1,203.4	1,197.7	0.8
High technology a/	501.5	500.9	499.8	498.8	504.6	-0.6
Computer and office equipment	91.7	91.8	91.8	92.1	94.6	-3.1
Communications equipment	40.2	39.9	39.5	39.2	39.4	2.0
Electronic components	158.2	158.0	157.7	157.0	152.8	3.5
Aircraft and parts	74.5	74.4	74.5	74.7	81.1	-8.1
Missiles, spacecraft, and parts	19.9	19.9	19.8	20.0	22.0	-9.5
Search and navigation equipment	50.8	51.0	50.9	50.7	51.6	-1.6
Measuring and controlling devices	66.2	65.9	65.6	65.1	63.1	4.9
Nondurable	717.0	718.8	716.6	716.6	726.9	-1.4
Transportation and public utilities	759.1	754.6	753.5	750.2	730.4	3.9
Trade	3,307.5	3,305.3	3,298.9	3,290.6	3,235.9	2.2
Wholesale	844.1	841.4	839.4	836.7	824.4	2.4
Retail	2,463.4	2,463.9	2,459.5	2,453.9	2,411.5	2.2
Finance, insurance, and real estate	840.7	839.9	838.3	836.2	826.5	1.7
Services e/	4,661.4	4,634.4	4,624.3	4,599.3	4,463.0	4.4
Business services	1,352.8	1,342.6	1,335.8	1,326.7	1,257.7	7.6
Motion pictures	203.0	196.2	203.9	202.4	194.1	4.6
Amusement and recreation services	225.2	222.6	222.8	221.7	212.5	6.0
Engineering and management consulting	464.4	462.9	460.1	458.9	447.4	3.8
Government	2,335.4	2,324.8	2,322.3	2,321.5	2,262.3	3.2
Federal	259.8	260.8	261.1	260.7	264.8	-1.9
State and local	2,075.6	2,064.0	2,061.2	2,060.8	1,997.5	3.9

HOURS & EARNINGS

	2000 Dec	2000 Nov	2000 Oct	2000 Sep	1999 Dec	Yr-Over-Yr % Change
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	42.2	42.0	42.0	41.9	42.2	0.0
Average weekly earnings	$610.63	$604.80	$603.12	$602.52	$594.60	2.7
Average hourly earnings	$14.47	$14.40	$14.36	$14.38	$14.09	2.7

CONSUMER PRICES

	2000 Dec	2000 Nov	2000 Oct	2000 Sep	1999 Dec	Yr-Over-Yr % Change
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	177.3	n.a.	177.3	n.a.	170.0	4.3
San Francisco CMSA	184.1	n.a.	183.4	n.a.	174.5	5.5
Los Angeles CMSA	173.5	173.5	173.8	173.3	167.3	3.7
Urban Wage Earners and Clerical Workers Series						
California Average	170.6	n.a.	170.5	n.a.	163.8	4.2
San Francisco CMSA	180.2	n.a.	179.3	n.a.	170.9	5.4
Los Angeles CMSA	166.7	166.6	166.9	166.3	160.9	3.6

CONSTRUCTION

	2000 Nov	2000 Oct	2000 Sep	2000 Aug	1999 Nov	Yr-Over-Yr % Change
CONSTRUCTION						
Private residential housing units authorized (000) b/	142.8	134.2	133.6	142.6	143.7	-0.6
Single units	109.9	110.7	99.8	103.1	94.4	16.3
Multiple units	32.9	23.5	33.8	39.5	49.2	-33.1
Residential building authorized valuation (millions) c/	$2,531	$2,249	$2,131	$2,376	$2,143	18.1
Nonresidential building authorized valuation (millions) c/	$1,677	$1,502	$1,606	$1,808	$1,698	-1.2
Nonresidential building authorized valuation (millions) d/	$1,439	$1,651	$1,772	$1,824	$1,463	-1.7
Commercial	609	626	727	713	580	5.0
Industrial	84	166	245	203	185	-54.8
Other	169	204	221	181	151	11.9
Alterations and additions	577	655	579	726	547	5.5

AUTO SALES

	2000 Nov	2000 Oct	2000 Sep	2000 Aug	1999 Nov	Yr-Over-Yr % Change
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	152,951	149,131	146,097	158,070	144,467	5.9

a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.
b/ Seasonally adjusted at annual rate
c/ Seasonally adjusted
d/ Not seasonally adjusted
e/ Only select industry components are shown therefore will not add to total.
n.a. Not available

SELECT INDICATORS (CONTINUED)

VACANCY RATES

VACANCY RATES FOR 3RD QUARTER 2000 (Percent)

	Office			Industrial
	Total	Downtown	Suburban	
Northern and Central California:				
Oakland-East Bay	2.4	1.9	2.6	--
Sacramento	6.6	5.0	7.1	12.3
San Francisco	1.9	1.8	2.0	4.7
San Jose	1.1	1.2	1.0	--
Southern California:				
Los Angeles Metro	11.1	16.4	9.9	7.8
Orange County	9.4	--	9.4	--
San Diego	5.4	8.5	4.6	6.0
Ventura County	11.1	--	11.1	--
National Average	7.7	6.2	8.6	7.7

HOME PRICES

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

1999				2000			
Jan	$202,201	Jul	220,529	Jan	$233,947	Jul	243,243
Feb	197,870	Aug	224,195	Feb	230,519	Aug	255,582
Mar	212,330	Sep	220,330	Mar	238,871	Sep	247,360
Apr	216,490	Oct	219,136	Apr	240,953	Oct	252,510
May	220,410	Nov	221,887	May	240,908	Nov	251,760
Jun	224,678	Dec	221,499	Jun	244,000		

LEADING INDICATORS/

		Manufacturing Overtime Hours	Manufacturing Average Weekly Hours	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
1997	Jan	4.7	41.4	66,020	4,712	92.9
	Feb	4.8	41.8	56,117	4,358	124.2
	Mar	5.1	42.1	58,765	3,571	94.5
	Apr	5.0	41.9	60,178	3,908	103.3
	May	5.0	41.8	59,332	4,500	108.8
	Jun	4.9	41.7	63,601	4,383	108.7
	Jul	4.9	41.8	61,923	4,750	114.1
	Aug	5.1	42.0	63,215	4,236	114.0
	Sep	5.0	42.1	64,015	4,742	118.2
	Oct	5.0	42.0	61,550	4,745	131.4
	Nov	5.0	42.2	57,984	4,439	115.4
	Dec	5.1	42.2	59,066	4,824	109.3
1998	Jan	5.1	42.0	56,203	4,716	113.1
	Feb	5.0	41.9	59,940	4,559	116.2
	Mar	4.9	41.8	58,820	4,598	119.1
	Apr	4.5	41.1	58,157	5,009	116.1
	May	4.7	41.8	58,924	4,540	119.5
	Jun	4.8	41.9	54,258	4,718	148.3
	Jul	4.8	42.0	54,260	4,845	120.1
	Aug	4.6	41.8	52,863	4,405	135.8
	Sep	4.5	41.6	50,654	3,722	121.9
	Oct	4.7	41.8	53,019	4,722	132.8
	Nov	4.6	41.7	54,254	4,778	136.9
	Dec	4.6	41.8	54,316	4,605	129.5
1999	Jan	4.6	42.0	51,980	4,942	151.2
	Feb	4.7	41.9	52,386	5,047	140.4
	Mar	4.7	41.9	53,251	6,016	139.1
	Apr	4.7	41.9	53,415	5,011	138.4
	May	4.8	41.9	50,463	5,364	137.7
	Jun	4.7	41.9	51,412	5,528	150.1
	Jul	4.6	41.8	51,272	5,300	143.0
	Aug	4.6	41.6	51,151	5,890	136.8
	Sep	4.6	41.5	49,985	5,781	127.0
	Oct	4.8	41.6	49,621	5,685	128.0
	Nov	4.8	41.5	51,198	6,098	143.7
	Dec	4.8	41.5	45,432	6,470	145.2
2000	Jan	4.9	41.4	50,599	6,530	169.3
	Feb	4.9	41.3	48,720	6,769	160.0
	Mar	4.9	41.3	47,543	8,319	159.1
	Apr	5.2	41.9	45,925	7,465	136.3
	May	5.0	41.5	47,972	6,824	129.5
	Jun	5.1	41.7	49,091	7,218	188.5
	Jul	5.1	41.6	48,595	7,149	127.6
	Aug	4.9	41.6	47,998	7,240	142.6
	Sep	5.0	42.0	47,351	7,027	133.6
	Oct	5.2	41.8	49,757	7,334	134.2
	Nov	4.8	41.6	47,904	7,735	142.8
	Dec	4.8	41.5	52,955	6,240	n.a.

a/ Seasonally adjusted by the California Department of Finance.
n.a. Not available

Employment, Unemployment

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1997	Jan	12,903	1,878	6.7	444
	Feb	12,968	1,887	6.5	410
	Mar	13,017	1,895	6.4	374
	Apr	13,080	1,899	6.4	397
	May	13,096	1,905	6.3	367
	Jun	13,129	1,913	6.3	379
	Jul	13,158	1,920	6.2	396
	Aug	13,176	1,923	6.2	374
	Sep	13,220	1,927	6.2	382
	Oct	13,253	1,933	6.2	386
	Nov	13,263	1,942	6.1	374
	Dec	13,332	1,952	6.1	401
1998	Jan	13,405	1,954	6.0	337
	Feb	13,428	1,957	6.1	362
	Mar	13,454	1,960	6.0	364
	Apr	13,495	1,960	6.0	366
	May	13,537	1,965	6.0	356
	Jun	13,578	1,962	5.9	352
	Jul	13,604	1,946	5.9	351
	Aug	13,649	1,945	5.9	358
	Sep	13,705	1,953	5.9	354
	Oct	13,728	1,944	5.8	334
	Nov	13,768	1,937	5.8	354
	Dec	13,801	1,933	5.7	371
1999	Jan	13,786	1,925	5.6	356
	Feb	13,827	1,923	5.5	366
	Mar	13,856	1,924	5.5	369
	Apr	13,900	1,925	5.4	363
	May	13,925	1,924	5.3	377
	Jun	13,948	1,923	5.2	376
	Jul	14,002	1,922	5.1	350
	Aug	14,033	1,923	5.0	358
	Sep	14,064	1,927	5.0	364
	Oct	14,084	1,924	5.0	344
	Nov	14,121	1,923	4.9	348
	Dec	14,171	1,925	5.0	341
2000	Jan	14,212	1,921	4.8	357
	Feb	14,253	1,922	4.6	345
	Mar	14,270	1,920	5.0	345
	Apr	14,331	1,924	4.8	335
	May	14,384	1,925	5.1	333
	Jun	14,404	1,926	5.3	333
	Jul	14,436	1,921	5.1	334
	Aug	14,465	1,923	5.1	343
	Sep	14,490	1,920	4.8	314
	Oct	14,535	1,923	4.8	332
	Nov	14,561	1,927	4.8	348
	Dec	14,614	1,925	4.6	315

Income, Wages, Taxable Sales

		Personal Income ($ millions)	Wages & Salaries from Mining, Construction and Manufacturing ($ millions)	Taxable Sales ($ millions)
1995	Qtr I	756,093	85,169	72,555
	Qtr II	770,213	86,494	74,894
	Qtr III	777,974	87,800	76,045
	Qtr IV	781,601	88,764	76,863
1996	Qtr I	801,895	93,871	78,937
	Qtr II	806,756	91,200	80,116
	Qtr III	811,252	90,351	80,398
	Qtr IV	829,714	94,874	81,145
1997	Qtr I	841,316	100,333	82,866
	Qtr II	852,798	102,251	84,167
	Qtr III	869,311	104,352	85,968
	Qtr IV	885,034	105,143	87,444
1998	Qtr I	901,547	108,286	87,246
	Qtr II	914,431	111,341	89,126
	Qtr III	929,394	112,827	90,733
	Qtr IV	951,641	117,286	91,120
1999	Qtr I	954,565	117,047	93,739
	Qtr II	976,823	121,074	97,146
	Qtr III	1,002,894	127,493	99,747
	Qtr IV	1,031,245	131,080	103,096
2000	Qtr I	1,090,850	147,778	107,393

OTHER INDICATORS

DOD Prime Contracts a/					
	$ millions	% of U.S.		$ millions	% of U.S.
1981-82	22,685	21.8	1990-91	24,265	19.5
1982-83	26,387	22.2	1991-92	23,843	21.2
1983-84	28,520	23.0	1992-93	22,952	20.1
1984-85	29,115	20.8	1993-94	22,573	20.5
1985-86	27,738	20.4	1994-95	18,277	16.8
1986-87	24,515	18.4	1995-96	18,230	16.7
1987-88	23,458	18.7	1996-97	18,477	17.3
1988-89	23,125	19.3	1997-98	17,401	15.9
1989-90	22,312	18.4	1998-99	17,372	15.1

a/ U.S. fiscal year: October through September

Foreign Trade through California Ports			
	$ millions		$ millions
1999		2000	
Jan	23,484	Jan	27,067
Feb	23,751	Feb	27,883
Mar	26,988	Mar	31,957
Apr	25,670	Apr	31,128
May	25,717	May	30,898
Jun	27,897	Jun	33,650
Jul	27,901	Jul	33,222
Aug	28,956	Aug	35,781
Sep	29,764	Sep	35,250
Oct	30,408	Oct	37,506
Nov	30,131		
Dec	30,252		

TECHNICAL NOTE

Economic Indicator Charts

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

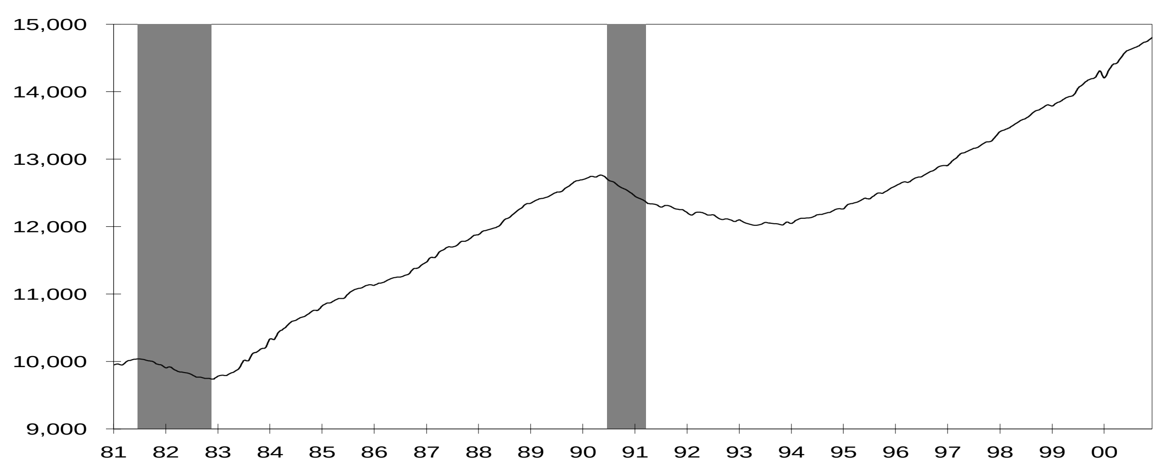
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to “freeze” the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

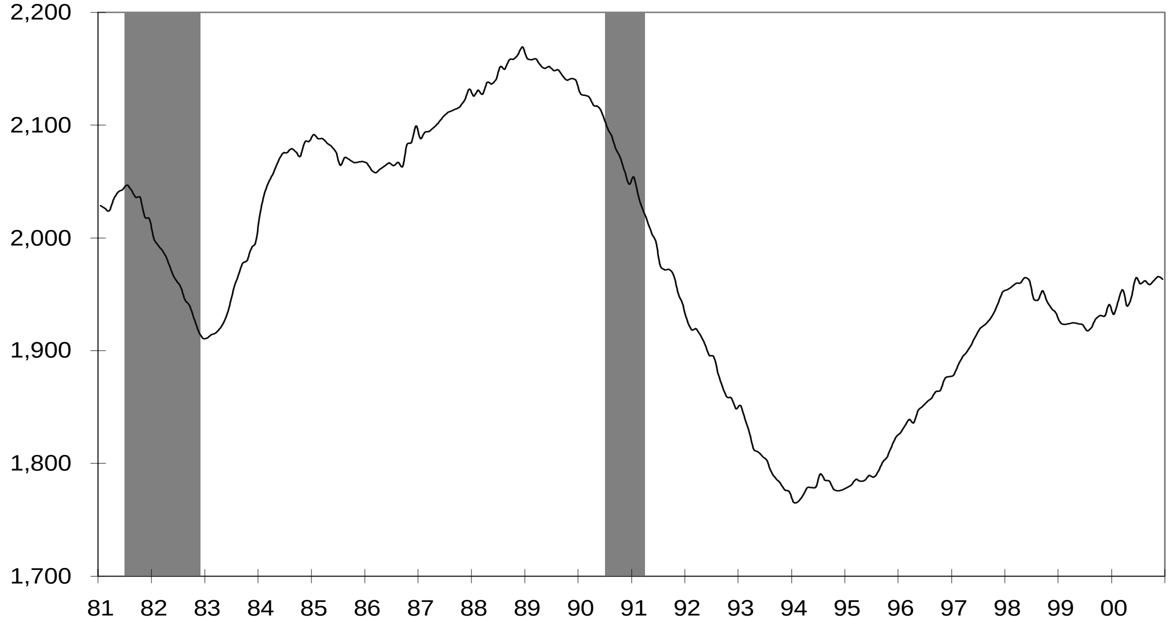
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

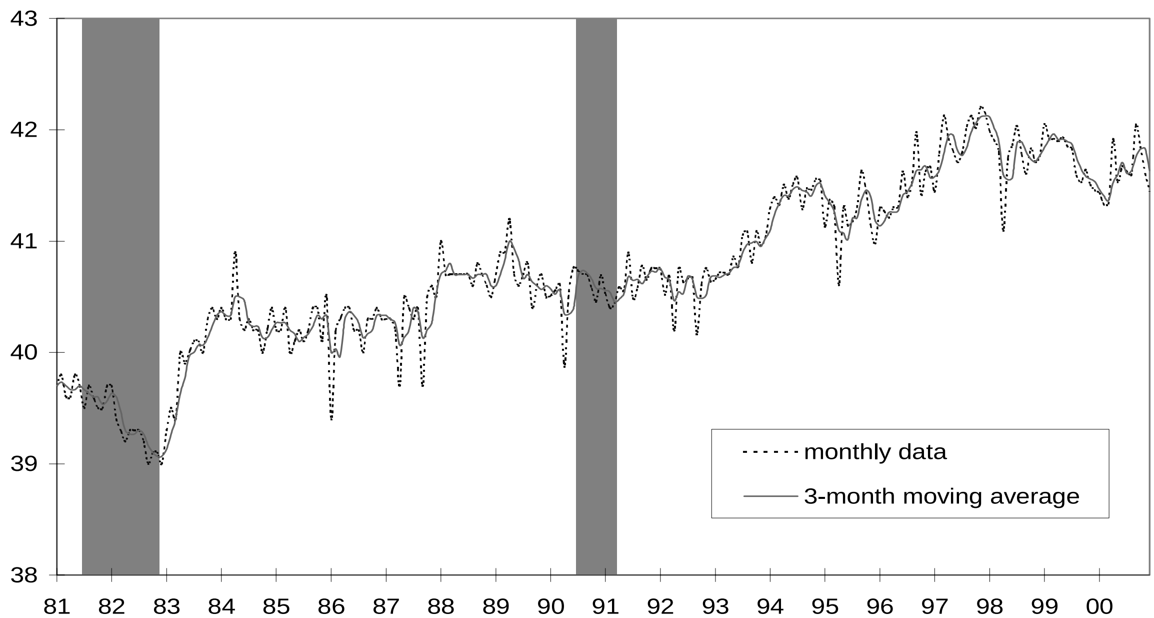
Nonagricultural Employment
(Thousands, Seasonally Adjusted)
. . .



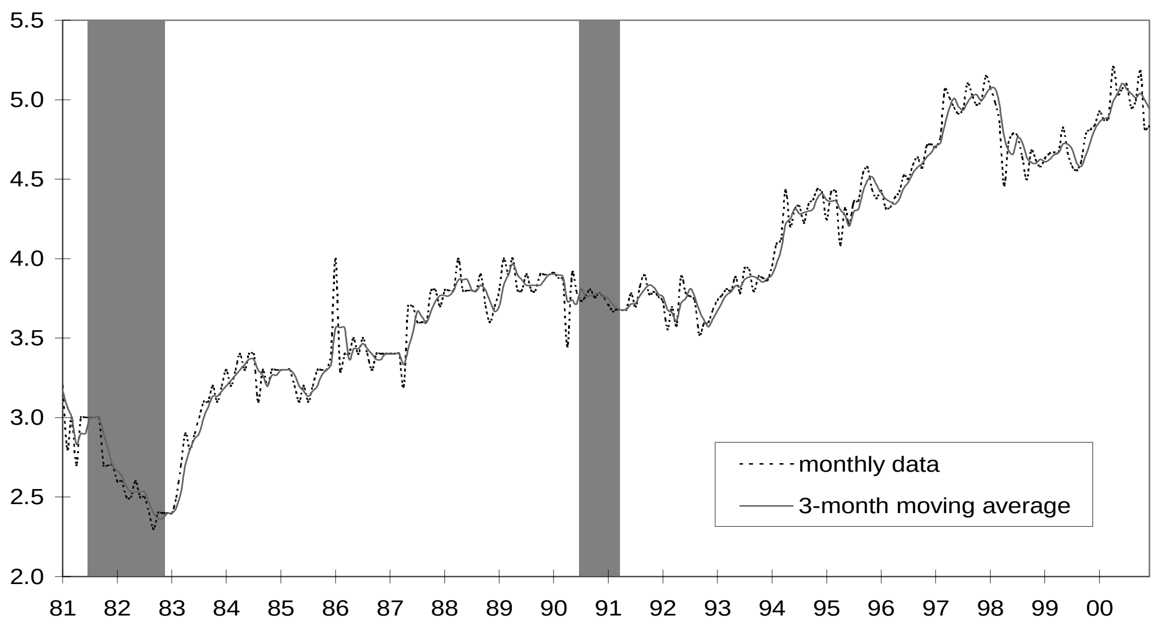
MANUFACTURING EMPLOYMENT
(THOUSANDS, SEASONALLY ADJUSTED)



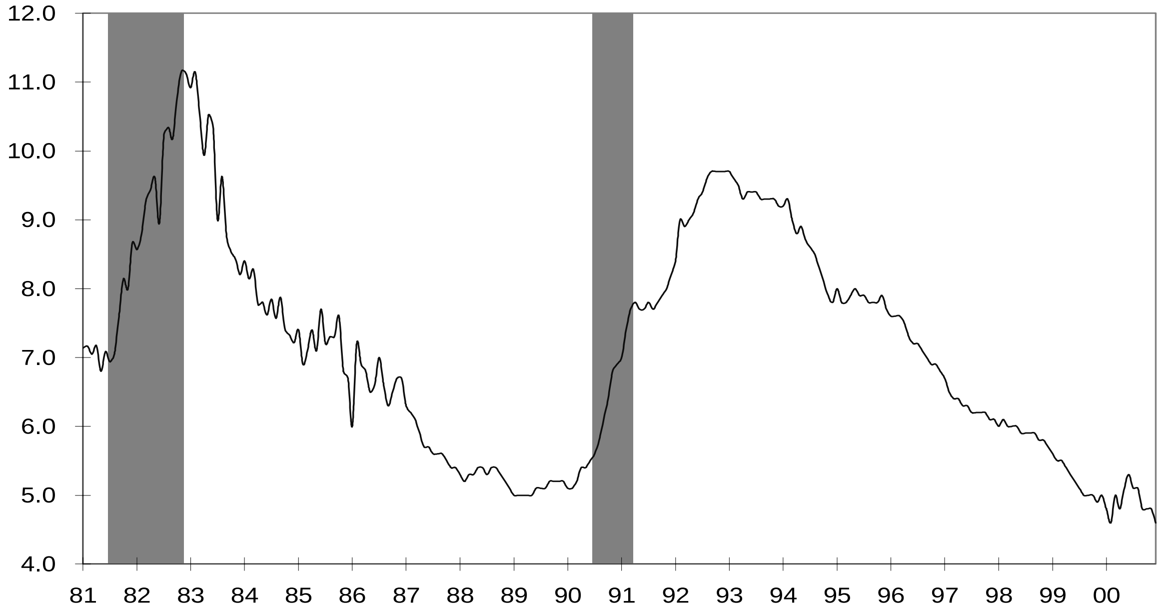
AVERAGE WEEKLY HOURS, MANUFACTURING
(SEASONALLY ADJUSTED)



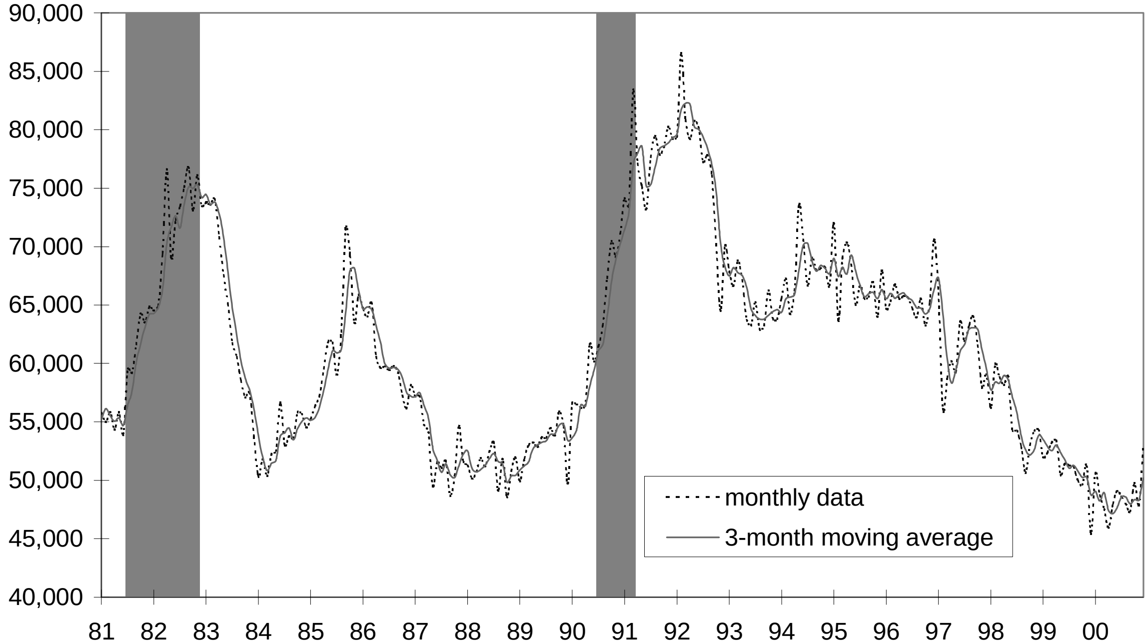
AVERAGE OVERTIME HOURS, MANUFACTURING
(SEASONALLY ADJUSTED)



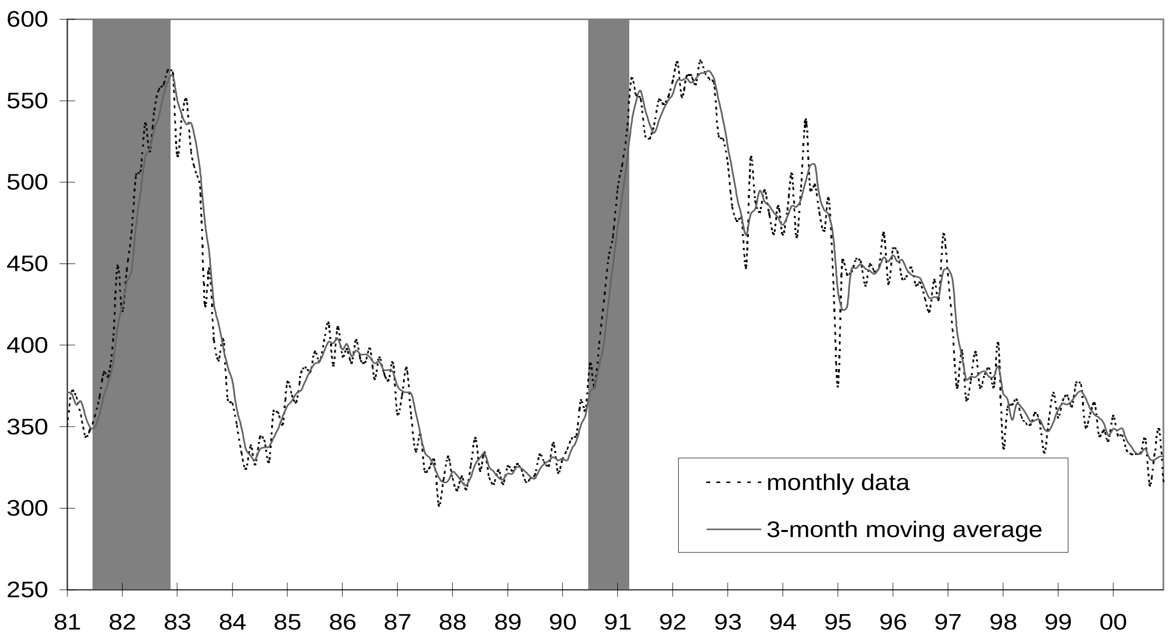
Unemployment Rate
(Percent)



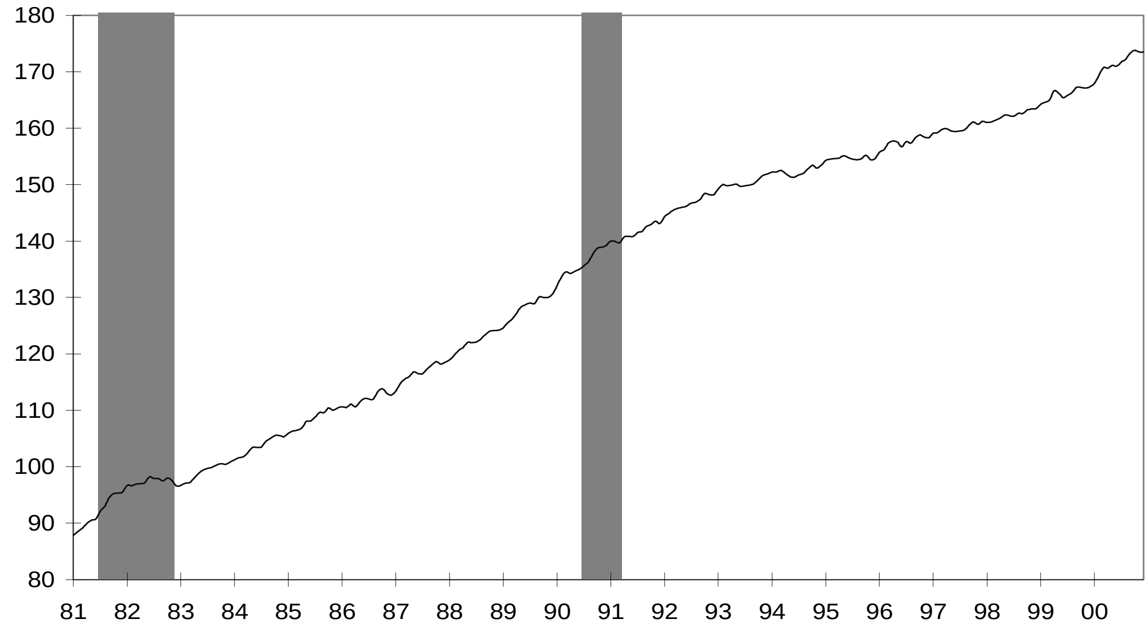
Initial & Transitional Claims for Unemployment Insurance
(Weekly Average, Seasonally Adjusted)



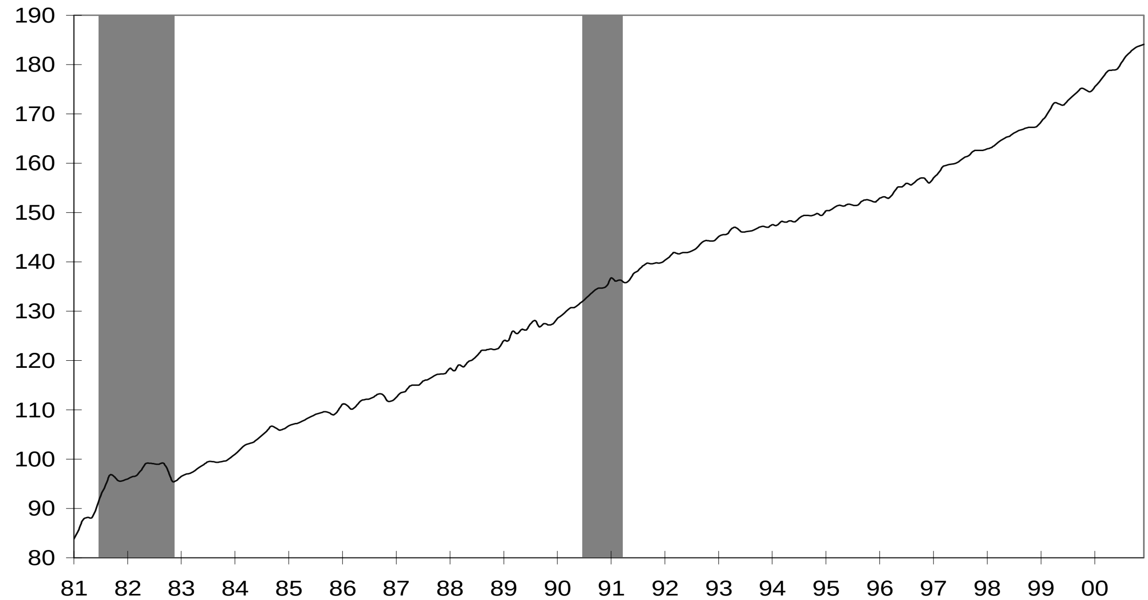
Unemployment, Average Weeks Claimed
(Thousands, Seasonally Adjusted)



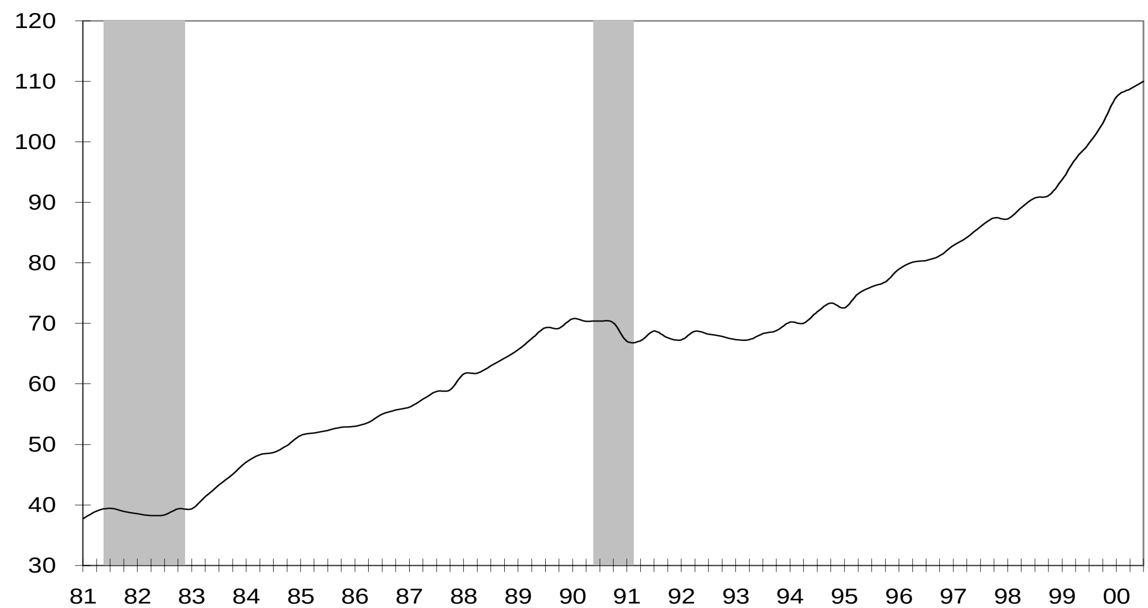
Consumer Price Index, Los Angeles
(1982-84=100)



Consumer Price Index, San Francisco
(1982-84=100)

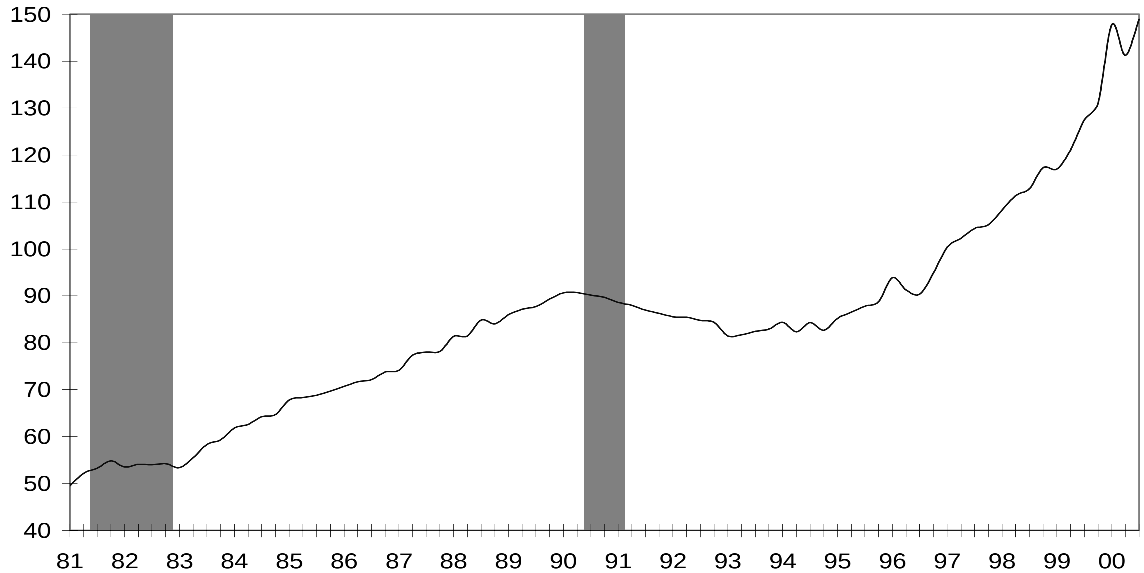


Taxable Sales
(Dollars in Billions, Seasonally Adjusted)



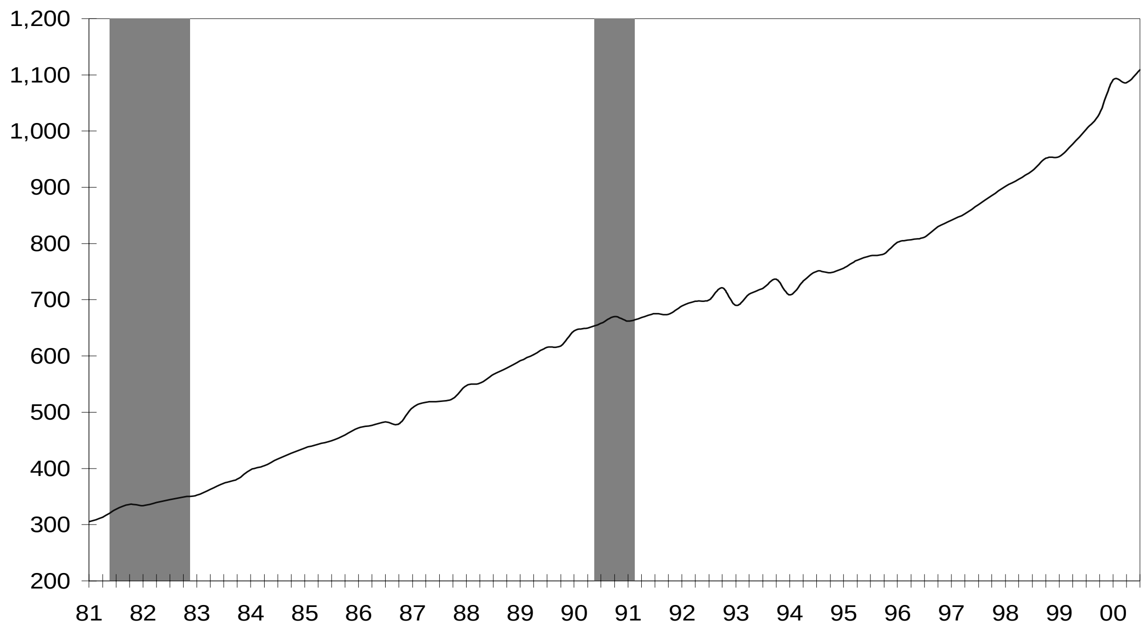
Wages and Salaries in Mining, Construction and Manufacturing

(Dollars in Billions, Seasonally Adjusted)



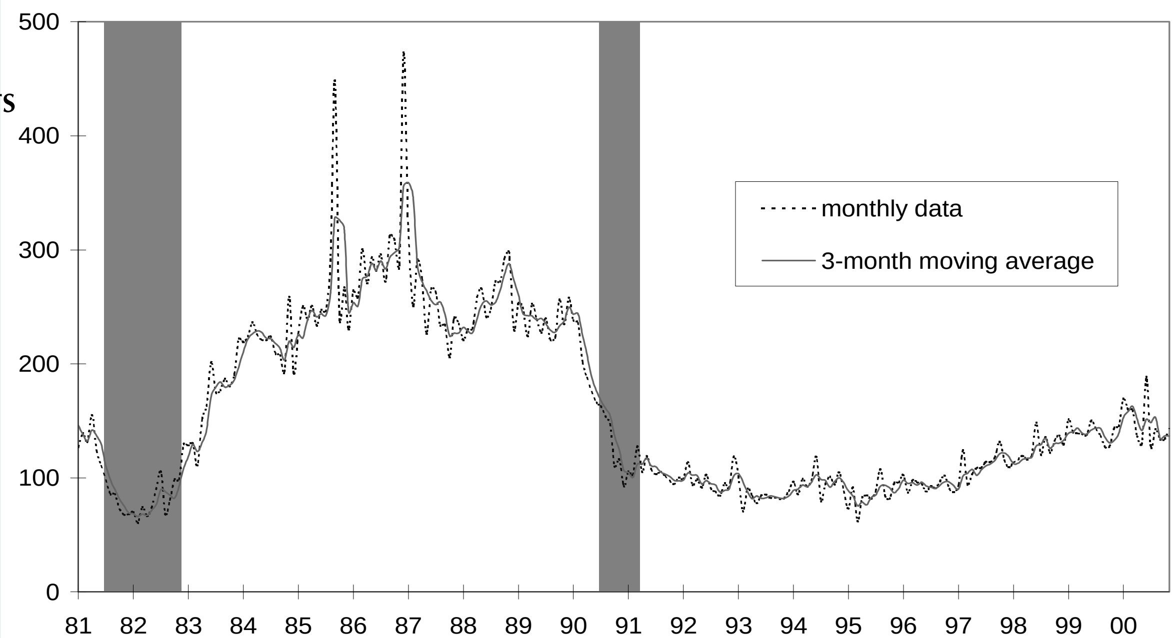
Personal Income

(Dollars in Billions, Seasonally Adjusted)



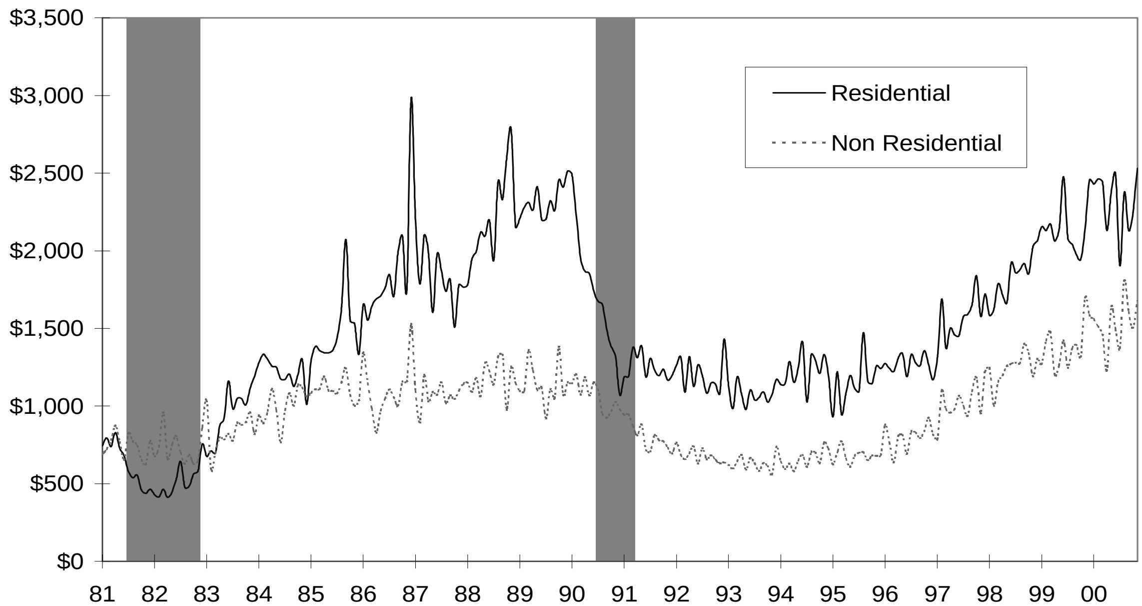
New Housing Units Authorized By Building Permits

(Thousands, Seasonally Adjusted at Annual Rate)



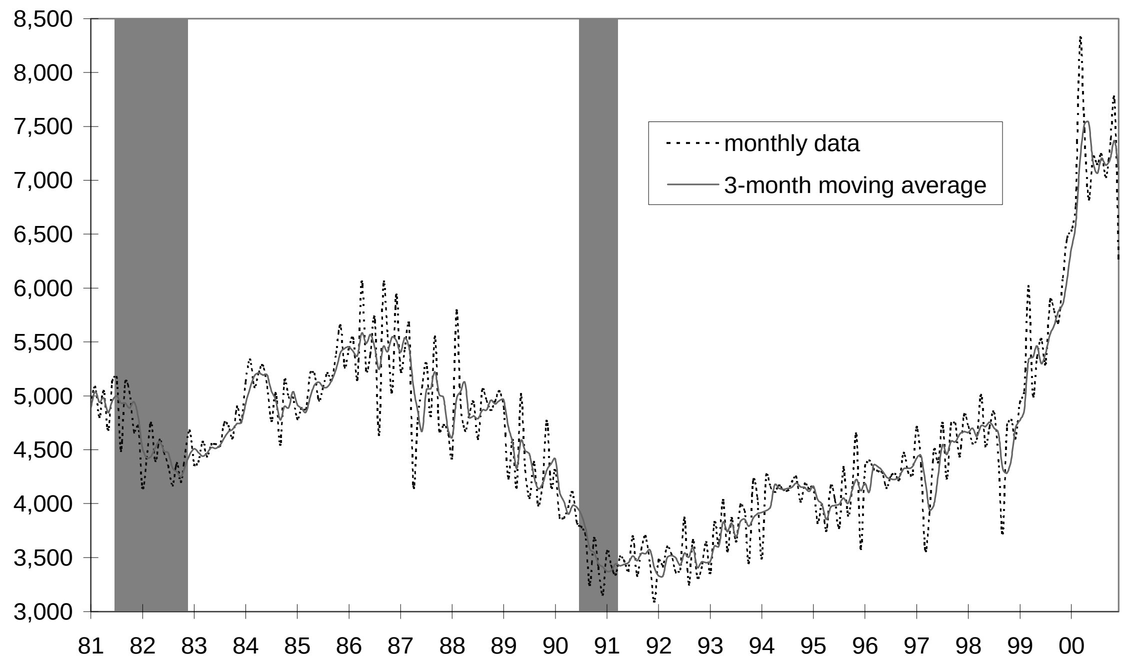
Residential & Nonresidential Building Permit Valuation

(Dollars in Millions, Seasonally Adjusted)



New Business Incorporations

(Seasonally Adjusted)



CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: **http://www.dof.ca.gov/**

1999

January 1 A new reserve currency, the "euro" is introduced, creating a single market in Europe. It will be the currency of reference for the 11 countries participating in the European Monetary Union.

January 13 Brazil devalues its currency sending U.S. stocks into a free fall.

January 21 The 1998 trade deficit hit an all-time high of $175 billion, 58 percent more than the shortfall recorded in 1997.

March 22 OPEC agreed to reduce crude oil production by 2.1 million barrels per day and maintain lower levels of output for a full year.

March 29 Dow Jones Industrial average topped the 10,000 mark.

April 9 The European Central Bank cut its key discount rate, for the first time, from 3.0 to 2.5 percent.

June 29 Federal funds rate raised from 4.75 to 5.00 percent.

July 28 GDP rose 2.3 percent in second quarter.

August 24 Federal funds rate raised from 5.00 to 5.25 percent.

Discount rate raised from 4.50 to 4.75 percent.

September 21 A 7.6 magnitude earthquake hits Taiwan.

September 30 In 1998, the US poverty rate fell to its lowest in 20 years at 12.7 percent. Real median household income hit a record 3.5 percent growth surpassing its pre-recessionary peak in 1989, and for the first time since 1975, all four US regions experienced significant increases.

September 30 Second quarter GDP growth rate revised to 1.6 percent, the smallest gain in four years.

October 4 MCI WorldCom to buy Sprint.

October 13 Producer Price Index for finished goods jumped 1.1 percent in September, the largest monthly increase in 9 years.

October 15 California's unemployment rate dropped to 4.9 percent, the lowest since 1969.

October 27 GDP for third quarter grew at 4.8 percent, 2nd quarter growth rate was revised upward to 1.9 percent from the original 1.6 percent.

November 1 Dow Jones & Co. added the technology leaders Microsoft and Intel as well as two other issues, to its industrial average, the first time that Nasdaq stocks have been included. It also dropped four companies that have been components for most of the 20th century.

November 2 Nasdaq closed above the 3000 mark for the first time.

Packard Bell says it will end its computer manufacturing business, close its Sacramento plant, and lay off 80 percent of its US workforce.

November 16 Federal funds rate raised from 5.25 to 5.50 percent.

Discount rate raised from 4.75 to 5.00 percent.

November 17 Crude-oil futures hit an almost nine-year high, rising 90 cents to $26.60 a barrel.

November 24 Third quarter GDP grew at an annual rate of 5.5 percent, well above previous estimates.

November 30 Exxon and Mobil merger approved by federal regulators.

December 2 The euro fell to parity with the dollar for the first time since its launch in January as Europe's common currency.

December 17 Pharmacia and Monsanto agreed to merge.

December 22 Third quarter GDP rose at 5.7 percent annual pace, above the previous estimate of 5.5 percent.

December 29 Nasdaq closed above the 4000 mark for the first time.

2000

January 27	Fourth quarter GDP grew at an annual rate of 5.8 percent.
February 2	Federal funds rate raised from 5.50 percent to 5.75 percent.
	Discount rate raised from 5.00 percent to 5.25 percent.
February 4	The nation's jobless rate at 4 percent is lowest in 3 decades.
February 7	Pfizer Inc. and Warner-Lambert Co complete merger deal.
March 20	Boeing Co. engineers and technical workers returned to work after a 40-day strike ending one of the biggest white-collar walkouts in US history.
	Crude oil prices drop below $30 a barrel.
March 21	Federal funds rate raised from 5.75 percent to 6.0 percent.
	Discount rate raised from 5.25 percent to 5.50 percent.
March 30	GDP growth rate for 4th quarter was revised upward to 7.3 percent, its strongest pace since 1984.
April 7	President Clinton signed into law a bill allowing older Americans to work without losing any of their Social Security benefits.
April 10	Wells Fargo & Co agreed to acquire First Security Corporation of Utah.
April 27	First quarter GDP grew at an annual rate of 5.4 percent with consumer spending jumping 8.3 percent, the sharpest gain in more than 17 years.
	Employment cost index jumped 1.4 percent in the first quarter, the sharpest increase in 11 years.
May 16	Federal funds rate raised from 6.0 percent to 6.5 percent.
	Discount rate raised from 5.5 percent to 6.0 percent.
June 29	GDP 1st quarter growth rate revised from 5.4 to 5.5 percent.
July 28	GDP 2nd quarter grew at an annual rate of 5.2 percent.
August -	World oil prices are rising because of increasingly tight supplies. U.S. inventories are at their lowest level since 1976 and crude prices have increased significantly contributing to costlier gasoline and heating oil.
September 19	China was granted permanent normal trade relations status with the U.S.
September 28	GDP growth rate for 2nd quarter was revised to 5.6 percent.
October 18	Social Security and Supplemental Security income payments will increase by 3.5 percent in 2001, the biggest in almost a decade.
October 31	OPEC plans to increase oil production by 500,000 barrels per day making it the fourth increase this year.
December 21	GDP for 3rd quarter grew at an annual rate of 2.2 percent.

2001

January 1	California's minimum wage raised from $5.75 to $6.25.
January 3	Federal funds rate reduced to 6.0 percent from 6.5 percent. Discount rate reduced to 5.75 from 6.0 percent.
January 17	OPEC to reduce oil production by 1.5 million barrels a day, or 5.6 percent of current output.
January	California's power system was under a continuous Stage 3 electrical emergency from the middle of January.

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